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FAS REPORT

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United States  
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Service

Washington, D.C. 20250

WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR 34-81

WASHINGTON, Aug. 26--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following recent developments in world agriculture and trade:

GRAIN AND FEED

The first annual consultation under the four-year U.S.-CHINA Grains Agreement will be held in Washington Sept. 2-3. FAS administrator Richard Smith will head the U.S. delegation and Mr. Zhang Jianhua, general manager of the Ceroilfood Import/Export Corporation, will head the Chinese team. The parties are meeting for routine discussions on the overall agricultural supply/demand situation for both countries and the world, developments in their domestic agricultural and trade policies, and a review of operations under the grains agreement.

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In the SOVIET UNION, grain harvesting weather in mid-August was generally favorable throughout the grain belt, enabling the Soviets to continue a rapid harvest. For the period Aug. 10-16, grain was cut on 12.6 million hectares and by Aug. 17 the total swathed area amounted to 70 million hectares. This compares to 54.3 million hectares at the same time last year and a 1974-1980 average of 59.4 million. The threshed area, which was 63.7 million hectares on Aug. 17, is also well above the 1980 level of 44.9 million and the 1974-1980 average of 50.3 million. Grain in windrows occupied only 6.3 million hectares on Aug. 17--about half of the week's cuttings--indicating that crops are drying quickly and Soviet agricultural workers are threshing grain in a timely manner.

Favorable weather, which minimizes harvesting losses, is especially important this year since hot, dry weather has reduced the estimate for 1981 grain production to 185 million tons. This figure is 51 million tons below plan and just 6 million above the drought-affected 1979 crop. Last year, incessant rainfall during the harvest was partially responsible for the poor 189 million-ton grain crop.

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FRANCE is being forced to consider new market development strategies because of rapidly increasing wheat production. In the past 10 years, French wheat production has nearly doubled, expanding from 13 million to more than 23 million tons. More significantly, French exports during this period have multiplied by a factor of four, reaching 14 million tons in 1980/81.

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MARY FRANCES CHUGG, Editor. Tel (202) 447-2280. Additional copies may be obtained from the FAS Information Services Staff. Room 5918-South, Washington, D.C. 20250. Tel (202) 447-7937.

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Since wheat quality is an important consideration in export marketing, the French Wheat Board, ONIC, has begun to experiment with a national system for wheat grading. The experiment is being conducted at an Atlantic port to allow for tests on wheat shipments that will remain identified by grades. In addition, the Association of French Wheat Growers also proposed a grading system recently. At present, foreign buyers of French wheat have few details, other than its EC origin, about the wheat they purchase.

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In JAPAN, a slowdown in livestock production is lowering demand for most imported forages. Beet pulp imports--primarily used for dairy feeding and Japan's largest imported roughage in terms of volume--have declined 16 percent in the first six months of 1981, compared to the same period last year. Alfalfa meal pellet imports fell 22 percent, a result of increased imports of Chinese leaf meal pellets and the general decline in Japanese mixed feed production. Despite the slowdown in the livestock sector, Japanese demand for baled hay remains strong.

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#### DAIRY, LIVESTOCK AND POULTRY

SOUTH KOREA's National Cooperative Federation recently issued a tender for over 2,000 head of beef cattle, including 315 breeding animals and 1,700 head of feeder and slaughter cattle. Cattle imports are expected to reach 10,000 head in 1981, twice the 1980 level, as South Korea seeks to rebuild its beef herd.

Beef cattle numbers dropped 9 percent last year when slaughter rates increased to compensate for a suspension of beef imports. Cattle slaughter remains high in 1981 because beef demand is increasing as South Korea recovers from a 1980 recession. As a result, beef numbers may show a further decrease in 1981 and live cattle imports may rise further in 1982.

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In PERU, poultry meat production has begun to recover, after dropping substantially in 1978 and 1979. Production in 1980 reached 130,000 tons, only 9,000 tons below the high level set in 1977. The industry is likely to continue its expansion in 1981 and 1982 since government policy currently favors the poultry sector, as evidenced by continuing efforts to modernize and improve poultry processing plants. There are now 11 working plants with a total capacity of 12,800 birds per hour (averaging 1,164 birds per hour, per plant). In addition, a large modern unit is being built north of Lima with an estimated capacity of 3,000 chickens per hour. These plants are very small compared to plants in the United States, where the average number of birds processed per hour is about 8,000.

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## COTTON

According to the CHINA Finance and Trade Journal, a change in government cotton production policy should result in a considerable boost in the morale of cotton growers. The new policy places a greater emphasis on improving cotton yields by contracting production quotas with households instead of larger production teams. Under the plan, a majority of households have contracted with the Government and are responsible for losses in the event of a crop shortfall. At the same time, there is reasonable room for overfulfillment of the quotas, thus providing households a chance to maximize profits from cotton production. The increased motivation provided by the profit incentive is expected to manifest itself in higher yields, reflecting greater care given the crop during both the growing season and harvesting. The agricultural counselor in Hong Kong reports that the Chinese crop will be somewhere between 2.81 million and 2.84 million tons (approximately 13 million bales) if the northern areas maintain last year's production level and the southern areas, especially Hubei and Jiangsu, recover from the losses suffered in 1980.

## HORTICULTURAL AND TROPICAL PRODUCTS

In BRAZIL, recent frosts in the major coffee-growing states of Parana, Sao Paulo, and Minas Gerais have reduced the 1982/83 coffee production potential from 27 to 30 million 60-kilogram bags to 15 to 18 million bags. For the 1981/82 crop, Brazilian production is now estimated at 32 million bags, or about a third of total world production.

After field surveys in the states of Parana and Sao Paulo, the Office of the U.S. agricultural counselor in Brasilia also found considerable frost damage in the state of Minas Gerais--Brazil's northernmost major coffee-producing state. For the 1981/82 crop, Minas Gerais is estimated to have harvested a record 10.0 to 10.5 million bags, accounting for about one-third of Brazil's production. The USDA survey in Minas Gerais showed that about one-third of the approximately 1.0 billion coffee trees in the state were damaged by frost that struck the area July 20-22. According to the USDA survey, next year's coffee crop potential in Minas Gerais, therefore, has been reduced from an estimated 6.5 to 7.5 million bags to 4.5 to 5.0 million bags.

Brazil's coffee production by major producing states is as follows:

|              | <u>Harvest<br/>1981/82</u> | <u>Pre-frost production<br/>potential<br/>1982/83</u> | <u>Frost-reduced<br/>production<br/>potential, 1982/83</u> |
|--------------|----------------------------|---|--|
| Parana       | 7.5-8.0                    | 8.0-9.0   | 1.5-2.5  |
| Sao Paulo    | 9.5-10.0                   | 8.0-9.0   | 4.0-5.0  |
| Minas Gerais | 10.0-10.5                  | 6.5-7.5   | 4.5-5.0  |
| Others 1/    | 4.0-4.5                    | 4.5-5.0   | 5.0-5.5  |
| Total        | 31.0-33.0                  | 27.0-30.5   | 15.0-18.0  |

1/ Mato Gross do Sol, Espirito Santo, Rio de Janerio, Bahia, Ceara, Pernambuco, Goias.

(For more details see USDA press releases dated Aug. 12 (1029-81); Aug. 19 (1062-81) and Aug. 25 (1089-81).

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ECUADOR has increased tariffs on over 500 import items, effective July 30. The new tariff rates, designed to increase Ecuadorian Government revenue in the wake of a reduction in export taxes on coffee and cocoa, include 90 percent ad valorem on grapes and almonds and 80 percent ad valorem on apples.

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The IVORY COAST--the world's largest cocoa producer--and the UNITED STATES--the largest consumer--have elected not to join the new International Cocoa Organization Council, although it is hoped that the Ivory Coast will join before the 1982 ratification deadline. The ICCA approved an extension to Mar. 31, 1982, for governments to deposit instruments of ratification, acceptance, and approval of the 1980 International Cocoa Agreement (ICCA). At the time the ICCA came into provisional effect on Aug. 1, 1981, 72 percent of the producers and 62 percent of consumers had either signed or notified the Council of provisional application.

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IRAN'S 1981/82 pistachio crop is now estimated at 50,000 tons (in-shell basis)--twice the volume harvested during the 1980/81 season. About 90 percent of the new crop is expected to move into export channels.

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Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

| Item                           | Aug. 25, 1981 | Change from      |               | A year<br>ago |                  |
|--------------------------------|---------------|------------------|---------------|---------------|------------------|
|                                |               | previous week    |               |               |                  |
|                                |               | :                |               |               |                  |
|                                |               | \$ per<br>m. ton | \$ per<br>bu. | ¢ per<br>bu.  | \$ per<br>m. ton |
| <b>Wheat</b>                   |               |                  |               |               |                  |
| Canadian No. 1 CWR-13.5%.....  | 213.00        | 5.80             | -21           | 1/            |                  |
| U.S. No. 2 DNS/NS: 14%.....    | 187.00        | 5.09             | -5            | 208.00        |                  |
| U.S. No. 2 DHW/HW: 13.5%.....  | 195.00        | 5.31             | -21           | 208.00        |                  |
| U.S. No. 2 S.R.W.....          | 173.00        | 4.71             | +14           | 196.00        |                  |
| U.S. No. 3 H.A.D.....          | 185.00        | 5.03             | -6            | 312.00        |                  |
| Canadian No. 1 A: Durum.....   | 1/            | 1/               | 1/            | 1/            |                  |
| <b>Feed grains:</b>            |               |                  |               |               |                  |
| U.S. No. 3 Yellow Corn.....    | 140.00        | 3.56             | -10           | 167.00        |                  |
| U.S. No. 2 Sorghum 2/.....     | 140.00        | 3.56             | -22           | 179.00        |                  |
| Feed Barley 3/.....            | 136.00        | 2.96             | 0             | 175.50        |                  |
| <b>Soybeans:</b>               |               |                  |               |               |                  |
| U.S. No. 2 Yellow.....         | 271.75        | 7.40             | -25           | 308.25        |                  |
| Argentine 4/.....              | 270.00        | 7.35             | -21           | 300.00        |                  |
| U.S. 44% Soybean Meal (M.T.).. | 236.00        | --               | -6.00 5/      | 267.00        |                  |
| <b>EC Import Levies</b>        |               |                  |               |               |                  |
| Wheat 6/.....                  | 73.80         | 2.01             | +5            | 106.35        |                  |
| Barley.....                    | 61.45         | 1.34             | +12           | 91.15         |                  |
| Corn.....                      | 67.40         | 1.71             | +12           | 97.95         |                  |
| Sorghum.....                   | 68.70         | 1.74             | +36           | 85.00         |                  |

1/ Not available.

2/ Optional delivery: U.S. or Argentine Granifero Sorghum.

3/ Optional delivery: U.S. or Canadian Feed Barley

4/ Optional delivery: Brazil yellow.

5/ Dollars per metric ton.

6/ Durum has a special levy.

Note: Basis September delivery.





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